

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1766 - HB 2520**

February 19, 2016

**SUMMARY OF BILL:** Authorizes the Holston Hills Country Club in Knox County to sell alcoholic beverages for on-premises consumption.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$300/One-Time/ABC Fund  
\$150/Recurring/ABC Fund  
\$8,200/Recurring/General Fund**

**Increase Local Revenue – \$7,000/Recurring/Permissive**

Assumptions:

- This bill only applies to the Holston Hills Country Club in Knox County.
- There is an initial application fee of \$300 and a \$150 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,000 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Hamilton County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY16-17.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$115,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average

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LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.

- Given the smaller nature of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$57,500 ( $\$115,000 \times 50\%$ ) per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,192  $[(\$57,500 \times 7.0\%) - (\$57,500 \times 7.0\% \times 3.617\%) + (\$57,500 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to be \$7,039  $[\$1,000 + (\$57,500 \times 2.75\%) + (\$57,500 \times 7.0\% \times 3.617\%) + (\$57,500 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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